



LAWS OF ALASKA

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Source

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Chapter No.

AN ACT

Relating to issuance and revocation of licenses for the importation, sale, distribution, or manufacture of cigarettes and tobacco products; relating to a tax refund or credit for unsalable, returned, or destroyed tobacco products; relating to restrictions on and penalties for shipping or transporting cigarettes; relating to records concerning the sale of cigarettes; amending and adding definitions relating to cigarette taxes; relating to the payment of cigarette taxes; relating to penalties applicable to cigarette taxes; relating to the definition of the wholesale price of tobacco products; relating to payment of cigarette taxes through the use of cigarette tax stamps; relating to provisions making certain cigarettes contraband and subject to seizure and forfeiture; relating to certain crimes, penalties, and interest concerning tobacco taxes and stamps; relating to cigarette sales; and providing for an effective date.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

THE ACT FOLLOWS ON PAGE 1

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2 manufacture of cigarettes and tobacco products; relating to a tax refund or credit for
3 unsalable, returned, or destroyed tobacco products; relating to restrictions on and penalties for
4 shipping or transporting cigarettes; relating to records concerning the sale of cigarettes;
5 amending and adding definitions relating to cigarette taxes; relating to the payment of
6 cigarette taxes; relating to penalties applicable to cigarette taxes; relating to the definition of
7 the wholesale price of tobacco products; relating to payment of cigarette taxes through the use
8 of cigarette tax stamps; relating to provisions making certain cigarettes contraband and
9 subject to seizure and forfeiture; relating to certain crimes, penalties, and interest concerning
10 tobacco taxes and stamps; relating to cigarette sales; and providing for an effective date.

11

1 * **Section 1.** The uncodified law of the State of Alaska is amended by adding a new section
2 to read:

3 SHORT TITLE. AS 43.50.710 - 43.50.849, enacted in sec. 19 of this Act, may be
4 known as the Unfair Cigarette Sales Act.

5 * **Sec. 2.** The uncodified law of the State of Alaska is amended by adding a new section to
6 read:

7 INTENT OF AS 43.50.710 - 43.50.849. It is the intent of AS 43.50.710 - 43.50.849,
8 enacted in sec. 19 of this Act, to

9 (1) encourage fair and honest competition and to safeguard the public against
10 unfair, dishonest, deceptive, destructive, and fraudulent business practices existing in
11 transactions involving the sale of, offer to sell, or inducement to sell cigarettes in the
12 wholesale and retail trades in the state;

13 (2) prohibit the advertising, offering for sale, or sale of cigarettes below cost
14 in the wholesale or retail trades with the intent of injuring competitors or destroying or
15 substantially lessening competition as an unfair and deceptive trade practice; and

16 (3) promote the general welfare and public interest through the prohibition of
17 unfair cigarette sales.

18 * **Sec. 3.** AS 43.50.035 is amended to read:

19 **Sec. 43.50.035. Wholesaler-distributor license.** A person outside of this
20 state who sells cigarettes into this state and is not required to be licensed under
21 AS 43.50.010 may **apply** [QUALIFY] for a wholesaler-distributor license [BY
22 FURNISHING A GOOD AND SUFFICIENT SURETY BOND IN AN AMOUNT
23 EQUAL TO TWICE THE AVERAGE MONTHLY RETURN AND IN NO CASE
24 LESS THAN \$5,000, PAYABLE TO THE DEPARTMENT AND APPROVED BY
25 THE DEPARTMENT OF LAW. IF A WHOLESALER-DISTRIBUTOR FAILS TO
26 PAY THE CIGARETTE TAX WHEN DUE, THE BOND MAY BE FORFEITED
27 AND THE LICENSE REVOKED]. The department **shall adopt reasonable**
28 **regulations necessary for the collection of cigarette taxes on cigarette sales made**
29 **by the** [MAY ISSUE PERMITS IN PLACE OF BONDS TO RESIDENT HOLDERS
30 OF] wholesaler-distributor licensee into this state and standards for

31 **(1) application and issuance of the license; and**

1 **(2) refusal to issue the license** [LICENSES DOING BUSINESS
2 WHOLLY IN THE STATE WHO PAY THE TAX BEFORE SHIPMENT].

3 * **Sec. 4.** AS 43.50.040 is amended to read:

4 **Sec. 43.50.040. Expiration of licenses.** A license issued under AS 43.50.010
5 **or 43.50.035** expires on June 30 [,] following the date of issue. If a license is revoked,
6 or the business for which the license is issued changes ownership or the licensee
7 changes the place of business from the premises covered by the license, the licensee
8 shall immediately return the license to the department. If the licensee moves the
9 business to another location in the state, the license shall, upon the payment of a fee of
10 50 cents, be reissued for the new location for the balance of the unexpired term.
11 **Before a license issued under AS 43.50.010 or 43.50.035 expires, the** [THE]
12 licensee **may apply to** [, ON APPLICATION TO THE DEPARTMENT
13 ACCOMPANIED BY THE RENEWAL FEE, MAY, BEFORE THE EXPIRATION
14 OF THE LICENSE,] renew the license for one year from the expiration date of the
15 license. **The renewal fee required by AS 43.50.030 must accompany the**
16 **application. The department shall adopt reasonable regulations that it considers**
17 **necessary regarding the renewal of licenses.**

18 * **Sec. 5.** AS 43.50.070 is amended to read:

19 **Sec. 43.50.070. Suspension or revocation of or refusal to renew a license**
20 **[REVOCAION OF LICENSES]**. The department may suspend, [OR] revoke, **or**
21 **refuse to renew** a license issued under **this chapter** [AS 43.50.010 - 43.50.180] (1)
22 for a negligent violation of AS 11.76.100, 11.76.106, 11.76.107, or a violation of **this**
23 **chapter** [AS 43.50.010 - 43.50.180] or a regulation of the department adopted under
24 **this chapter** [AS 43.50.010 - 43.50.180]; (2) if a licensee ceases to act in the capacity
25 for which the license was issued; or (3) if a **licensee** [MANUFACTURER,
26 DISTRIBUTOR, OR WHOLESALE DISTRIBUTOR] negligently sells tobacco or
27 products containing tobacco to a **person who is required to, but does not, hold a**
28 **license endorsement under AS 43.70.075 or** [NONLICENSED RETAILER OR A
29 RETAILER] whose license endorsement under AS 43.70.075 has been suspended. A
30 person whose license is suspended or revoked may not sell cigarettes **or tobacco**
31 **products,** or permit cigarettes **or tobacco products** to be sold, during the period of

1 the suspension or revocation on the premises occupied or controlled by that person. A
2 disciplinary proceeding or action is not barred or abated by the expiration, transfer,
3 surrender, renewal, or extension of a license issued under **this chapter** [AS 43.50.010
4 - 43.50.180]. The department shall comply with the provisions of **AS 44.62** ([THE]
5 Administrative Procedure Act), **except that a hearing officer of the department,**
6 **rather than a hearing officer assigned under AS 44.62.350, may conduct hearings**
7 [(AS 44.62)].

8 * **Sec. 6.** AS 43.50.070 is amended by adding a new subsection to read:

9 (b) In this section, "licensee" means a person licensed under AS 43.50.010 -
10 43.50.180 or 43.50.300 - 43.50.390.

11 * **Sec. 7.** AS 43.50.090(a) is amended to read:

12 (a) There is levied an excise tax of 38 mills on each cigarette imported or
13 acquired in the state. **The tax shall be paid through the use of stamps as provided**
14 **in AS 43.50.500 - 43.50.700. The failure to pay the tax through the use of stamps**
15 **does not relieve a person of the obligation to pay taxes due under this chapter.**
16 **The person shall still pay the tax, and the tax is due on or before the end of the**
17 **month following the month in which cigarettes were manufactured, imported,**
18 **acquired, or sold in this state** [EACH LICENSEE SHALL, AT THE TIME OF
19 FILING THE RETURN REQUIRED BY AS 43.50.080, PAY TO THE
20 DEPARTMENT THE EXCISE FOR THE CALENDAR MONTH COVERED BY
21 THE RETURN, DEDUCTING FOUR-TENTHS OF ONE PERCENT OF THE
22 TOTAL TAX DUE, WHICH THE LICENSEE SHALL RETAIN TO COVER THE
23 EXPENSE OF ACCOUNTING AND FILING RETURNS]. Cigarettes upon which
24 the excise is imposed are not again subject to the excise when acquired by another
25 person.

26 * **Sec. 8.** AS 43.50.090 is amended by adding a new subsection to read:

27 (d) The tax imposed under (a) of this section does not apply to the first 100
28 cigarettes imported by an individual for personal consumption during the calendar
29 month.

30 * **Sec. 9.** AS 43.50.100(d) is amended to read:

31 (d) A person or licensee who is in control or possession of cigarettes contrary

1 to **this chapter** [AS 43.50.010 - 43.50.180,] or who offers to sell or dispose of
2 cigarettes to others for the purpose of resale without being licensed to do so is
3 considered to have possession of the cigarettes as a consumer and is personally liable
4 for the **cigarette taxes imposed by this chapter** [TAX], plus a penalty of 100 **percent**
5 [PER CENT].

6 * **Sec. 10.** AS 43.50 is amended by adding a new section to read:

7 **Sec. 43.50.105. Restrictions on shipping or transporting cigarettes.** (a) A
8 person who is not licensed under this chapter may not ship or cause to be shipped
9 cigarettes to a person in this state unless the person receiving the cigarettes is

10 (1) licensed under this chapter;

11 (2) an operator of a customs bonded warehouse under 19 U.S.C. 1311
12 or 19 U.S.C. 1555; or

13 (3) an instrumentality of the federal government or an Indian tribal
14 organization authorized by law to possess cigarettes not taxed under this chapter.

15 (b) A person who is licensed under this chapter may not ship or cause to be
16 shipped cigarettes to a person in this state unless the person receiving the cigarettes

17 (1) is licensed under this chapter;

18 (2) holds a tobacco endorsement under AS 43.70.075;

19 (3) is an operator of a customs bonded warehouse under 19 U.S.C.
20 1311 or 19 U.S.C. 1555; or

21 (4) is an instrumentality of the federal government or an Indian tribal
22 organization authorized by law to possess cigarettes not taxed under this chapter.

23 (c) A common or contract carrier may not knowingly transport cigarettes to a
24 person in this state unless the person

25 (1) shipping the cigarettes is licensed under this chapter and provides
26 the common or contract carrier with a copy of the person's current license issued by
27 the department and the person receiving the cigarettes is a person described under
28 (b)(1) - (4) of this section; or

29 (2) receiving the cigarettes is a person described under (a)(2) or (3) of
30 this section or is licensed under this chapter and provides the common or contract
31 carrier with a copy of the person's current license issued by the department.

1 (d) If the cigarettes are transported by a common or contract carrier to a home
2 or residence, it is rebuttably presumed that the common or contract carrier knew that
3 the person receiving the cigarettes was not a person described under (b)(1) - (4) of this
4 section.

5 (e) A person, other than a common or contract carrier, may not knowingly
6 transport cigarettes to a person in this state, unless the person receiving the cigarettes
7 is a person described under (b)(1) - (4) of this section.

8 (f) A person who ships or causes to be shipped cigarettes to a person in this
9 state shall plainly and visibly mark the container or wrapping with the word
10 "cigarettes" if the cigarettes are shipped in a container or wrapping other than the
11 cigarette manufacturer's original container or wrapping.

12 (g) A person who violates the provisions of this section is guilty of a

13 (1) class A misdemeanor if the person unlawfully ships, causes to be
14 shipped, or transports at least one but fewer than 1,000 cigarettes;

15 (2) class C felony if the person unlawfully ships, causes to be shipped,
16 or transports 1,000 or more cigarettes.

17 (h) In addition to the criminal penalty under (g) of this section, the department
18 may assess a civil fine of not more than \$5,000 for each violation of this section.

19 * **Sec. 11.** AS 43.50.130(d) is amended to read:

20 (d) An invoice for the sale of cigarettes given or accepted by a licensee under
21 **this chapter** [AS 43.50.010 - 43.50.180] must state whether the **taxes** [TAX] imposed
22 by **this chapter have** [AS 43.50.010 - 43.50.180 HAS] been paid.

23 * **Sec. 12.** AS 43.50.170(7) is amended to read:

24 (7) "person" includes an individual, company, partnership, **limited**
25 **liability partnership**, joint venture, joint agreement, **limited liability company**,
26 association, mutual or otherwise, corporation, estate, trust, business trust, receiver,
27 trustee, syndicate, or political subdivision of this state, or combination acting as a unit;

28 * **Sec. 13.** AS 43.50.170 is amended by adding new paragraphs to read:

29 (11) "tobacco product" has the meaning given in AS 43.50.390;

30 (12) "wholesaler-distributor" means a person outside this state who
31 sells or distributes cigarettes into this state and who is not required to be licensed

1 under AS 43.50.010.

2 * **Sec. 14.** AS 43.50.190(b) is amended to read:

3 (b) The tax levied by this section is in addition to the tax levied by
4 AS 43.50.010 - 43.50.180. The tax shall be administered and collected in the same
5 manner as the tax levied by AS 43.50.010 - 43.50.180, except that receipts from the
6 tax shall be deposited in the general fund. The penalties provided in AS 43.05 **and**
7 **this chapter** apply to the tax levied in this section.

8 * **Sec. 15.** AS 43.50.190 is amended by adding a new subsection to read:

9 (c) The tax imposed under (a) of this section does not apply to the first 100
10 cigarettes imported by an individual for personal consumption during the calendar
11 month.

12 * **Sec. 16.** AS 43.50.320(f) is amended to read:

13 (f) The department may suspend, [OR] revoke, **or refuse to renew** a license
14 issued under this section **as provided in AS 43.50.070** [IF THE LICENSEE
15 VIOLATES A PROVISION OF AS 43.50.300 - 43.50.390 OR A REGULATION
16 ADOPTED UNDER AS 43.50.370].

17 * **Sec. 17.** AS 43.50 is amended by adding a new section to read:

18 **Sec. 43.50.335. Tax credits and refunds.** The department shall adopt
19 procedures for a refund or credit to a licensee of the tax paid for tobacco products that
20 have become unfit for sale, are destroyed, or are returned to the manufacturer for
21 credit or replacement if the licensee provides proof acceptable to the department that
22 the tobacco products have not been and will not be consumed in this state.

23 * **Sec. 18.** AS 43.50.390(5) is repealed and reenacted to read:

24 (5) "wholesale price" means

25 (A) the established price for which a manufacturer sells a
26 tobacco product to a distributor after deduction of a discount or other reduction
27 received by the distributor for quantity or cash if the manufacturer's established
28 price is adequately supported by bona fide arm's length sales as determined by
29 the department; or

30 (B) the price, as determined by the department, for which
31 tobacco products of comparable retail price are sold to distributors in the

1 ordinary course of trade if the manufacturer's established price does not meet
2 the standards of (A) of this paragraph.

3 * **Sec. 19.** AS 43.50 is amended by adding new sections to read:

4 **Article 5. Cigarette Tax Stamps.**

5 **Sec. 43.50.500. Tax payment by use of stamps.** A licensee shall pay the tax
6 imposed under AS 43.50.090(a) and 43.50.190(a) through the use of stamps issued
7 under AS 43.50.500 - 43.50.700.

8 **Sec. 43.50.510. Stamp design; manner of affixing.** (a) The department shall
9 design and furnish stamps of sizes and denominations as determined by the
10 department.

11 (b) Notwithstanding the packaging requirements of AS 43.70.075(g)(1), a
12 stamp required under AS 43.50.500 - 43.50.700 must be affixed

13 (1) on the smallest package that will be handled, sold, used, consumed,
14 or distributed in this state; and

15 (2) in a denomination equal to the amount of tax due under this chapter
16 on the cigarettes in the package.

17 (c) A stamp required under AS 43.50.500 - 43.50.700 shall be affixed to the
18 bottom of each individual package of cigarettes in a manner so that the stamp cannot
19 be removed from the package without being mutilated or destroyed.

20 (d) For purposes of this section, a stamp is considered affixed only if more
21 than 80 percent of the stamp is attached to the individual package in accordance with
22 (c) of this section and regulations adopted by the department.

23 **Sec. 43.50.520. Stamp required before sale, distribution, or consumption.**

24 (a) Except as provided in AS 43.50.580, a licensee or the authorized agent or designee
25 of the licensee shall affix a stamp, in the manner required by AS 43.50.510, to each
26 package of cigarettes immediately upon the opening of the shipping container
27 containing the package and before sale, distribution, or consumption in this state.

28 (b) Except as provided in AS 43.50.580 and 43.50.610, a person may not
29 engage in the following activities in this state unless the package containing the
30 cigarettes is affixed with the required stamp:

31 (1) sell or distribute cigarettes to a person who is a consumer in this

1 state;

2 (2) acquire, hold, own, possess, or transport cigarettes for sale or
3 distribution in this state;

4 (3) import or cause to be imported cigarettes into this state for sale,
5 distribution, or consumption; or

6 (4) place or store cigarette packages in a vending machine in this state.

7 **Sec. 43.50.530. Sale of stamps.** (a) The department shall furnish stamps for
8 sale to licensees.

9 (b) The department may enter into agreements with financial institutions to
10 permit the sale of stamps by those institutions. The department shall make a list of
11 financial institutions authorized to sell stamps under this section available to the
12 public.

13 **Sec. 43.50.540. Purchase of and payment for stamps.** (a) A licensee shall
14 apply to the department or a financial institution authorized under AS 43.50.530(b) to
15 purchase stamps required by AS 43.50.500 - 43.50.700.

16 (b) A licensee may authorize an agent or designee to purchase stamps for the
17 licensee at a location where stamps are sold. The licensee's authorization of an agent
18 or designee must be in writing and must be signed by the licensee. The licensee shall
19 provide a copy of the authorization to the department. The authorization continues in
20 effect until the department receives the licensee's written notice of revocation of the
21 authorization.

22 (c) Except as otherwise provided in this subsection, each stamp shall be sold
23 to a licensee at its denominated value less the discount provided in this subsection.
24 The discount under this subsection is provided as compensation for affixing stamps to
25 packages as required by AS 43.50.500 - 43.50.700. The department may reduce or
26 eliminate the discount to a licensee under this subsection if the licensee fails to meet
27 the requirements of AS 43.50.500 - 43.50.700. The discount under this subsection is
28 equal to the sum of the amounts calculated using the following percentages of
29 denominated value of stamps purchased by a licensee under this section in a calendar
30 year:

31 (1) \$1,000,000 or less, three percent;

1 (2) the amount that is more than \$1,000,000 but not more than
2 \$2,000,000, two percent;

3 (3) the amount that is over \$2,000,000, zero percent.

4 (d) Payment for stamps shall be made at the time of purchase, except that the
5 department may permit a licensee to defer payments as provided in AS 43.50.550.

6 (e) The licensee or the licensee's agent or designee must obtain the stamps in
7 person from the department or a financial institution authorized to sell stamps under
8 AS 43.50.530(b). Alternatively, the licensee may request in writing that the stamps be
9 shipped or transported in a manner specified by the licensee that is acceptable to the
10 department. The department may accept only United States mail or common or
11 private carrier as a shipping or transportation method.

12 (f) Title to the stamps passes immediately to the licensee at the time the
13 stamps are obtained in person or, if the stamps are shipped or transported, at the time
14 the stamps are placed in the United States mail or received by the common or private
15 carrier. The licensee bears all costs associated with shipping or transporting the
16 stamps and all risks of possible loss or damage while in transit.

17 (g) Loss, destruction, or theft of stamps does not absolve the licensee of its
18 obligation to make payment for the stamps, including payment on a deferred-payment
19 basis under AS 43.50.550.

20 (h) For purposes of the discount provided in (c) of this section, "stamps
21 purchased by a licensee" includes stamps purchased by affiliated licensees.

22 **Sec. 43.50.550. Deferred-payment basis for stamps.** (a) A licensee may
23 apply to the department to purchase stamps on a deferred-payment basis. Upon
24 receipt of the application and the bond required under (b) of this section, the
25 department may set the maximum dollar amount of stamps that the licensee is
26 authorized to purchase on a deferred-payment basis in a calendar month.

27 (b) A licensee who submits an application for the purchase of stamps on a
28 deferred-payment basis shall post a bond acceptable to the department in an amount
29 equal to 200 percent of the maximum dollar amount of allowed monthly purchases
30 under this section as a condition of approval of the application.

31 (c) Amounts owing for stamps purchased on a deferred-payment basis in a

1 calendar month are due on or before the last day of the next calendar month. Payment
2 shall be made by a remittance acceptable to the department that is made payable to the
3 department.

4 (d) The department may designate the sales locations where the licensee may
5 make purchases of stamps on a deferred-payment basis and fix the dollar amount of
6 purchases that the licensee may make under this section at each designated sales
7 location each month.

8 **Sec. 43.50.560. Suspension of deferred-payment basis privilege.** The
9 department may suspend, without prior notice, a licensee's privilege to purchase
10 stamps on a deferred-payment basis or may reduce the monthly dollar amount of
11 purchases the licensee may make under AS 43.50.550 if

12 (1) the licensee fails to pay for stamps when payment is due;

13 (2) the licensee's bond is cancelled or becomes void, impaired, or
14 unenforceable;

15 (3) the department determines that the collection of an amount unpaid
16 or due from the licensee under this chapter is jeopardized; or

17 (4) the licensee violates a state statute or regulation related to the
18 collection of taxes under this chapter.

19 **Sec. 43.50.570. Interest.** A licensee who fails to pay an amount due for the
20 purchase of stamps within the time required

21 (1) is considered to have failed to pay the cigarette taxes due under this
22 chapter; and

23 (2) shall pay interest at the rate established under AS 43.05.225 from
24 the date on which the amount became due until the date of payment.

25 **Sec. 43.50.580. Possession of unstamped cigarettes.** (a) Except as provided
26 in (b) of this section and in AS 43.50.610, a person may not possess unstamped
27 cigarettes in this state.

28 (b) A licensee may possess unstamped cigarettes in this state if

29 (1) the licensee posts a surety bond in an amount satisfactory to the
30 department to ensure performance of its duties under this chapter; and

31 (2) unstamped cigarettes are necessary for the conduct of the licensee's

1 business in making sales or distributions to an instrumentality of the federal
2 government or an Indian tribal organization authorized by law to possess cigarettes not
3 taxed under this chapter.

4 (c) At the time of shipping or delivering cigarettes to an instrumentality of the
5 federal government or an Indian tribal organization authorized by law to possess
6 cigarettes not taxed under this chapter, a licensee shall make a duplicate invoice
7 showing complete details of the shipment or other distribution and a statement
8 indicating whether stamps were affixed to each cigarette package in accordance with
9 AS 43.50.500 - 43.50.700. The licensee shall transmit the duplicate invoice to the
10 department as an attachment to the monthly report required under AS 43.50.630.

11 (d) If a licensee who is authorized to possess unstamped cigarettes under (b)
12 of this section fails to comply with the requirements of this section, the licensee is no
13 longer authorized to and may not possess unstamped cigarettes under this section and
14 is subject to the imposition of any applicable penalty under this title or other law.

15 (e) For purposes of (a) of this section, "person" does not include entities to
16 whom sales or distributions are made as described in (b)(2) of this section.

17 **Sec. 43.50.590. Refunds or credits for unused stamps and for unsalable,**
18 **destroyed, or certain returned cigarette packages.** (a) The department shall adopt
19 procedures for a refund or credit to a licensee in the amount of the denominated value,
20 less the discount given under AS 43.50.540, for

21 (1) unused or damaged stamps; or

22 (2) stamps affixed to cigarette packages that have become unfit for use
23 or sale, are destroyed, or are returned to the manufacturer for credit or replacement if
24 the licensee provides proof acceptable to the department that the cigarettes have not
25 been and will not be consumed in this state.

26 (b) A refund or credit under (a) of this section may not be allowed for stamps
27 affixed to cigarette packages in violation of this chapter or AS 45.53.

28 **Sec. 43.50.600. Stamps prohibited on cigarette packages not complying**
29 **with federal and state laws.** A licensee or the licensee's authorized agent or designee
30 may not affix a stamp to a cigarette package if the cigarettes

31 (1) may not be acquired, held, owned, imported, possessed, sold, or

1 distributed in this state under AS 43.50.400; or

2 (2) are not in compliance with other state or federal laws.

3 **Sec. 43.50.610. Unstamped cigarettes as contraband; seizure.** Unstamped
4 cigarettes found in this state are contraband and may be seized by the commissioner or
5 an agent or employee of the commissioner or by any peace officer of the state, unless

6 (1) the cigarettes are

7 (A) in the possession of a licensee or are in transit from outside
8 the state and are consigned to a licensee; and

9 (B) in the original and unopened shipping container; or

10 (2) possession of the unstamped cigarettes is not a violation of this
11 chapter.

12 **Sec. 43.50.620. Forfeiture and destruction of seized cigarettes.** Cigarettes
13 seized under AS 43.50.500 - 43.50.700 are forfeited to the state. After notice and an
14 opportunity for a hearing, the commissioner shall destroy the cigarettes forfeited under
15 this section.

16 **Sec. 43.50.630. Monthly reports; records retention; inspection of records.**

17 (a) On or before the last day of each calendar month, a licensee shall file the
18 following information for each place of business with the department, on a form or in
19 a format prescribed by the department:

20 (1) the quantity and brands of cigarettes manufactured, imported,
21 acquired, or sold in the state during the preceding calendar month;

22 (2) the number and dollar amount of stamps

23 (A) purchased during the preceding calendar month;

24 (B) affixed to cigarette packages during the preceding calendar
25 month;

26 (C) not affixed to cigarette packages and on hand at the end of
27 the preceding calendar month; and

28 (D) refunded or credited to a licensee under AS 43.50.590; and

29 (3) any other information that the department requires to carry out its
30 duties under this chapter.

31 (b) If a licensee ceases to manufacture, import, acquire, or sell cigarettes in

1 this state, the licensee shall immediately file the form required under (a) of this section
2 with the department, for the period ending with the cessation.

3 (c) All statements and other records required by AS 43.50.500 - 43.50.700
4 must be

5 (1) in a form or format prescribed by the department;

6 (2) preserved by a licensee for a period of three years; and

7 (3) available for inspection at any time upon oral or written demand by
8 the department or its authorized agent.

9 (d) A summary of information filed under (a) of this section shall be prepared
10 by the department and released to the public upon request.

11 **Sec. 43.50.640. Misconduct involving unstamped cigarettes or stamps in**
12 **the first degree.** (a) A person commits the crime of misconduct involving unstamped
13 cigarettes or stamps in the first degree if the person

14 (1) with reckless disregard that the cigarettes are unstamped

15 (A) sells or distributes 1,000 or more unstamped cigarettes in a
16 single transaction;

17 (B) owns or possesses 1,000 or more unstamped cigarettes with
18 the intent to sell; or

19 (C) acquires, holds, transports, imports, or possesses 10,000 or
20 more unstamped cigarettes; or

21 (2) with reckless disregard that the stamp was previously affixed to
22 another cigarette package;

23 (A) affixes a previously used stamp to a cigarette package; or

24 (B) possesses, sells, or distributes a previously used stamp.

25 (b) Misconduct involving unstamped cigarettes or stamps in the first degree is
26 a class C felony.

27 **Sec. 43.50.650. Misconduct involving unstamped cigarettes or stamps in**
28 **the second degree.** (a) A person commits the crime of misconduct involving
29 unstamped cigarettes or stamps in the second degree if the person

30 (1) with reckless disregard that the cigarettes are unstamped

31 (A) sells or distributes at least one but fewer than 1,000

1 unstamped cigarettes in a single transaction;

2 (B) owns or possesses at least one but fewer than 1,000
3 unstamped cigarettes, with intent to sell; or

4 (C) acquires, holds, transports, imports, or possesses at least
5 one but fewer than 10,000 unstamped cigarettes; or

6 (2) is not licensed under this chapter or otherwise authorized by the
7 department to possess stamps and possesses a stamp that is not affixed to a cigarette
8 package.

9 (b) Misconduct involving unstamped cigarettes or stamps in the second degree
10 is a class A misdemeanor.

11 **Sec. 43.50.660. Construction of criminal statutes.** (a) The provisions of
12 AS 11.16, AS 11.81.600, 11.81.610, and 11.81.900 apply to AS 43.50.640 and
13 43.50.650.

14 (b) For purposes of AS 43.50.640 and 43.50.650, display of cigarettes by a
15 person, or possession other than in the original and unopened shipping container of
16 cigarettes by a person who holds a business license endorsement under AS 43.70.075,
17 is prima facie evidence of possession with intent to sell cigarettes. In this subsection,
18 "display" means to openly exhibit.

19 **Sec. 43.50.670. Unauthorized transfer of unaffixed stamps.** (a) A licensee
20 may not sell, exchange, or otherwise transfer stamps not affixed to a package of
21 cigarettes in accordance with this chapter to another person without the prior written
22 approval of the department.

23 (b) After notice and opportunity for a hearing, the department may assess a
24 civil fine of not less than \$1,000 nor more than \$10,000 for a violation of (a) of this
25 section. The fine assessed is in addition to any other penalty available under the law.

26 **Sec. 43.50.700. Definitions.** In AS 43.50.500 - 43.50.700, unless the context
27 otherwise requires,

28 (1) "affiliated licensees" means two or more licensees in which the
29 same person holds, directly or indirectly, at least a 50 percent ownership interest;

30 (2) "carton" means a box or container originating from the
31 manufacturer that contains packages of that manufacturer's cigarettes;

1 (3) "cigarette" has the meaning given in AS 43.50.170;

2 (4) "licensee" means a person licensed by the department under
3 AS 43.50.010 or 43.50.035 to sell, distribute, purchase, possess, or acquire cigarettes;

4 (5) "package" means the individual packet, box, or other container,
5 originating from the manufacturer, in which retail sales of cigarettes are normally
6 made or intended to be made; "package" does not include containers that are cartons,
7 cases, bales, or boxes that contain packages of cigarettes;

8 (6) "person" has the meaning given in AS 43.50.170;

9 (7) "shipping container" means the case, box, parcel, or other container
10 in which cartons or packages of cigarettes are placed for shipment or transportation
11 from one place to another; "shipping container" does not include a package in which
12 retail sales of cigarettes are normally made or intended to be made;

13 (8) "stamp" means a stamp or other indicium that is

14 (A) printed, manufactured, or made under authorization of the
15 department under this chapter;

16 (B) issued, sold, or circulated by the department; and

17 (C) used to pay the cigarette taxes levied under this chapter;

18 (9) "unstamped cigarettes" means a package containing cigarettes that
19 is not affixed with the stamp required by AS 43.50.500 - 43.50.700.

20 **Article 6. Unfair Cigarette Sales.**

21 **Sec. 43.50.710. Sale at less than cost; rebate in price.** (a) A wholesaler or
22 retailer may not, with intent to injure competitors or destroy or substantially lessen
23 competition,

24 (1) advertise, offer to sell, or sell, at retail or wholesale, cigarettes at
25 less than actual cost to the wholesaler or retailer; or

26 (2) offer a rebate in price, give a rebate in price, offer a concession of
27 any kind, or give a concession of any kind or nature in connection with the sale of
28 cigarettes.

29 (b) A retailer may not induce or attempt to induce or procure or attempt to
30 procure

31 (1) the purchase of cigarettes at a price less than the actual cost to a

1 wholesaler;

2 (2) a rebate or concession of any kind or nature in connection with the
3 purchase of cigarettes.

4 (c) Evidence of advertisement, offering to sell, or sale of cigarettes by a
5 wholesaler or retailer at less than actual cost, or evidence of an offer of a rebate in the
6 price, the giving of a rebate in price, offer of a concession, or the giving of a
7 concession of any kind or nature in connection with the sale of cigarettes, or the
8 inducing, attempt to induce, the procuring, or the attempt to procure the purchase of
9 cigarettes at a price less than actual cost to a wholesaler or retailer is prima facie
10 evidence of intent to injure competitors and to destroy or substantially lessen
11 competition.

12 (d) A wholesaler or retailer who violates the provisions of this section is guilty
13 of a class B misdemeanor.

14 **Sec. 43.50.720. Sale at less than cost; with gift or concession.** In all
15 advertisements, offers for sale, or sales involving two or more items when at least one
16 of the items is cigarettes at a combined price, and in all advertisements, offers for sale,
17 or sales involving the giving of any gift, concession, or coupon of any kind in
18 conjunction with the sale of cigarettes, the wholesaler's or retailer's combined selling
19 price may not be below the actual cost to the wholesaler or the actual cost to the
20 retailer, respectively, of the total of all articles, products, commodities, gifts, and
21 concessions included in the transactions, except that, if any articles, products,
22 commodities, gifts, or concessions are not cigarettes, the basic cost shall be
23 determined as provided under AS 43.50.800.

24 **Sec. 43.50.730. Sale to another wholesaler.** When one wholesaler sells
25 cigarettes to another wholesaler, the seller is not required to include the actual cost of
26 the selling wholesaler. Upon resale to a retailer, the purchasing wholesaler is required
27 to include the actual cost of the purchasing wholesaler or the actual cost of the selling
28 wholesaler, whichever is greater, in the selling price.

29 **Sec. 43.50.740. Sales at price to meet competition.** (a) A wholesaler may
30 advertise, offer to sell, or sell cigarettes at a price made in good faith to meet the price
31 of a competitor who is rendering the same type of service and is selling the same

1 article at cost to a competing wholesaler. A retailer may advertise, offer to sell, or sell
2 cigarettes at a price made in good faith to meet the price of a competitor who is selling
3 the same article at cost to a competing retailer.

4 (b) In the absence of proof of the actual cost to a competing wholesaler or the
5 competing retailer, actual cost may be presumed to be the presumptive wholesale cost
6 to the wholesaler or the presumptive retail cost to the retailer as determined by the
7 department from the manufacturer's price list.

8 (c) A manufacturer whose product is sold in the state directly or through an
9 intermediary shall provide the department with a current price list for all brands of
10 cigarettes of the manufacturer and shall notify the department at least 10 days before a
11 price increase takes effect.

12 **Sec. 43.50.750. Contracts in violation of law are illegal.** A contract, express
13 or implied, made by a person in violation of the provisions of AS 43.50.710 -
14 43.50.849 is illegal and void.

15 **Sec. 43.50.760. Determination of cost.** (a) In determining actual cost to the
16 wholesaler or retailer, a court shall consider as establishing the cost evidence tending
17 to show that a wholesaler or retailer complained against under a provision of
18 AS 43.50.710 - 43.50.849 purchased the cigarettes involved in the complaint at a
19 fictitious price, or upon terms, in a manner, or under invoices, in a manner that
20 conceals the true cost, discounts, or terms of purchase. The court shall also consider
21 evidence of the normal, customary, and prevailing terms and discounts in connection
22 with other sales of a similar nature in the state.

23 (b) The presumptive wholesale and presumptive retail cost of cigarettes as
24 determined by the department from the manufacturer's price list is considered
25 competent evidence in a court action or proceeding as tending to prove actual cost to
26 the wholesaler or retailer complained against. A party against whom the presumptive
27 wholesale or presumptive retail cost as determined by the department is introduced in
28 evidence has the right to offer evidence tending to prove any inaccuracy of the
29 presumptive wholesale or presumptive retail cost or any statement of facts that would
30 impair its probative value.

31 **Sec. 43.50.770. Determination of cost of cigarettes purchased outside of**

1 **ordinary channels of trade.** In establishing the basic cost of cigarettes to a
2 wholesaler or retailer, the invoice cost or the actual cost of cigarettes purchased at a
3 forced, bankrupt, or closeout sale, or other sale outside the ordinary channels of trade
4 may not be used.

5 **Sec. 43.50.780. Injunction.** (a) The department or a person injured by a
6 violation or who would suffer from any threatened violation of AS 43.50.710 -
7 43.50.849 may maintain an action to prevent, restrain, or enjoin the violation or
8 threatened violation. If, in the action, a violation or threatened violation of
9 AS 43.50.710 - 43.50.849 is established, the court may enjoin and restrain or
10 otherwise prohibit the violation or threatened violation, and the court shall assess the
11 costs of reasonable attorney fees against the defendant. In the action, it is not
12 necessary that actual damages to the plaintiff be alleged or proved, but, if actual
13 damages are alleged and proved, the plaintiff, in addition to injunctive relief and costs,
14 including reasonable attorney fees, may recover actual damages.

15 (b) If injunctive relief is not requested or required, a person injured by a
16 violation of AS 43.50.710 - 43.50.849 may maintain an action for damages in the
17 appropriate court.

18 **Sec. 43.50.790. Administration of AS 43.50.710 - 43.50.849.** (a) The
19 department

20 (1) shall administer AS 43.50.710 - 43.50.849;

21 (2) may adopt regulations relating to the administration and
22 enforcement of AS 43.50.710 - 43.50.849;

23 (3) may determine the basic cost of cigarettes to a wholesaler or
24 retailer from information obtained from a manufacturer;

25 (4) may, after reasonable notice and hearing, revoke or suspend a
26 license issued under AS 43.50.010 or 43.50.035 to a person who refuses or neglects to
27 comply with a provision of AS 43.50.710 - 43.50.849.

28 (b) The Department of Community and Economic Development may, after
29 reasonable notice and hearing, revoke or suspend a license issued under AS 43.70.075
30 to a person who refuses or neglects to comply with a provision of AS 43.50.710 -
31 43.50.849.

1 **Sec. 43.50.800. Presumptions applicable to determination of cost.** (a) For
2 purposes of AS 43.50.710 - 43.50.849,

3 (1) the basic cost of cigarettes is equal to the lower of the two
4 following amounts:

5 (A) the invoice cost of cigarettes to the wholesaler or retailer,
6 less all trade discounts including customary discounts for cash actually taken,
7 plus the full face value of any tax that may be required by this chapter if not
8 already included in the invoice cost of the cigarettes to the wholesaler or
9 retailer; or

10 (B) the lowest replacement cost of cigarettes to the wholesaler
11 or retailer, within 30 days before the date of sale, in the quantity last
12 purchased, within or before the 30-day period, less all trade discounts
13 including customary discounts for cash actually taken, plus the full face value
14 of any tax that may be required by this chapter if not already included in the
15 invoice cost of the cigarettes to the wholesaler or retailer;

16 (2) the actual cost to the wholesaler is equal to the basic cost of the
17 cigarettes acquired by the wholesaler plus the cost of doing business by the
18 wholesaler, as evidenced by the standards and methods of accounting regularly
19 employed by the wholesaler, and includes labor costs, rent, depreciation, selling costs,
20 maintenance of equipment, delivery costs, all types of licenses, taxes, insurance, and
21 advertising;

22 (3) in the absence of proof of a lesser or higher cost of doing business
23 by the wholesaler making the sale, the cost of doing business by the wholesaler is
24 presumed to be four and one-half percent of the basic cost of the cigarettes to the
25 wholesaler; a fraction of a cent used in computing the cost of doing business shall be
26 rounded off to the next highest cent;

27 (4) the actual cost to the retailer is equal to the basic cost of the
28 cigarettes plus the cost of doing business by the retailer; the cost of doing business
29 may be proven by the standards and methods of accounting regularly employed by the
30 retailer and must include labor costs, rent, depreciation, selling costs, maintenance of
31 equipment, delivery costs, all types of licenses, taxes, insurance, and advertising;

1 (5) in the absence of proof of a lesser or higher cost of doing business
2 by the retailer making the sale, the cost of doing business by the retailer is presumed to
3 be six percent of the basic cost of cigarettes to the retailer; a fraction of a cent used in
4 computing the cost of doing business shall be rounded off to the next highest cent.

5 (b) In the absence of proof of a lesser or higher actual cost to the

6 (1) wholesaler, the actual cost is presumed to be the presumptive
7 wholesale cost as determined by the department; and

8 (2) retailer, the actual cost is presumed to be the presumptive retail
9 cost as determined by the department.

10 (c) In the absence of the manufacturer's list price for a particular brand of
11 cigarettes, the department may determine the presumptive wholesale cost or the
12 presumptive retail cost of the cigarettes from the average price of cigarettes for other
13 similar brands for which the department has the manufacturer's list price.

14 **Sec. 43.50.849. Definitions.** In AS 43.50.710 - 43.50.849,

15 (1) "basic wholesale cost" means the manufacturer's list price, less
16 trade discounts, plus the full face value of any tax required by this chapter;

17 (2) "cigarette" has the meaning given in AS 43.50.170;

18 (3) "department" means the Department of Revenue;

19 (4) "direct-buying retailer" has the meaning given in AS 43.50.170;

20 (5) "person" has the meaning given in AS 43.50.170;

21 (6) "presumptive retail cost" means the presumptive wholesale cost
22 plus six percent of the presumptive wholesale cost;

23 (7) "presumptive wholesale cost" means the basic wholesale cost plus
24 four and one-half percent of the basic wholesale cost;

25 (8) "retailer" has the meaning given in AS 43.50.170 and includes a
26 person licensed or required to be licensed as a direct-buying retailer under this chapter
27 and a person who holds or is required to hold a license endorsement under
28 AS 43.70.075;

29 (9) "sale" has the meaning given in AS 43.50.170;

30 (10) "sell at retail," "sale at retail," or "retail sales" means a sale for
31 consumption or use made in the ordinary course of trade or usual conduct of the

1 seller's business;

2 (11) "sell at wholesale," "sale at wholesale," or "wholesale sales"
3 means a sale made in the ordinary course of trade or usual conduct by a wholesaler to
4 a retailer for the purpose of resale;

5 (12) "trade discount" means a price reduction that is offered by a
6 cigarette manufacturer on the date of sale, is reflected on the invoice as a deduction
7 from the manufacturer's list price, and is fully earned and determinable on the date of
8 sale;

9 (13) "wholesaler" means a person licensed or required to be licensed
10 under AS 43.50.010 or AS 43.50.035 and who sells cigarettes to a retailer for the
11 purpose of resale.

12 * **Sec. 20.** AS 43.50.080 is repealed.

13 * **Sec. 21.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 TRANSITION: REGULATIONS. Notwithstanding sec. 24 of this Act, the
16 Department of Revenue may immediately proceed to adopt regulations necessary to
17 implement the changes made by this Act. The regulations take effect under AS 44.62
18 (Administrative Procedure Act), but not before the effective date of the respective statutory
19 changes.

20 * **Sec. 22.** The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 TRANSITION: ACTIVITIES INVOLVING UNSTAMPED CIGARETTES
23 THROUGH MARCH 31, 2004. (a) Notwithstanding the requirements of AS 43.50.500 -
24 43.50.700, enacted by sec. 19 of this Act, a person may acquire, hold, own, import, possess,
25 sell, distribute, or consume unstamped cigarettes in this state on or after January 1, 2004, and
26 on or before March 31, 2004, if the cigarettes were in this state before January 1, 2004.

27 (b) In this section, "unstamped cigarettes" has the meaning given in AS 43.50.700,
28 enacted by sec. 19 of this Act.

29 * **Sec. 23.** Section 21 of this Act takes effect immediately under AS 01.10.070(c).

30 * **Sec. 24.** Except as provided in sec. 23 of this Act, this Act takes effect January 1, 2004.